

Message Text

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PAGE 01 BRUSSE 05469 252252Z

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TAGS: EIND, ETRD, BE

SUBJECT: STEEL VRA - WIRE ROD EXPORTS

REF: (A) BRUSSELS 5256; (B) STATE 182044

1. SUMMARY: MEETING BETWEEN INDEPENDENT WIRE DRAWERS (IWD) DELEGATION AND EUROPEAN STEEL PRODUCERS CLUB (ESPC) REPRESENTATIVES ON SEPTEMBER 24 WAS OCCASION FOR FRANK BUT CORDIAL EXCHANGE OF VIEWS. IWD SOUGHT ESPC VIEWS ON EFFECTS OF VRA ON SUPPLY OF WIRE ROD TO U.S. CUSTOMERS. ESPC REPS EXPRESSED HOPE THAT WIRE ROD COULD BE REMOVED FROM VRA AND BELIEF THAT WIRE ROD SHIPMENTS TO U.S. COULD BE MODERATELY INCREASED IF THIS WERE DONE AND PRICES WERE ATTRACTIVE IN U.S. MARKET. END SUMMARY.

2. IWD DELEGATION (COMPOSITION AS DESCRIBED REF B) MET WITH BARON VAN DER REST AND ESPC REPS FROM ALL EC SIX MEMBER COUNTRIES ON SEPTEMBER 24 TO DISCUSS EFFECT OF VRA ON AVAILABILITY OF EUROPEAN WIRE ROD FOR EXPORT TO U.S. EMBOFF ATTENDED AS OBSERVER. IWD LEADER FAUST ASKED WHETHER VRA IS AFFECTING SHIPMENTS IN NEAR FUTURE AND EUROPEAN PLANNING FOR FUTURE WIRE ROD MANUFACTURING CAPACITY. VAN DER REST, STRESSING THAT EUROPEANS HAD ACCEPTED VRA AS "LESSER OF TWO EVILS", STATED THAT EUROPEAN SHIPPERS OBLIGED GENERALLY TO RESPECT VRA PRODUCT MIX BUT THAT WIRE ROD HAD RECENTLY ACCOUNTED

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PAGE 02 BRUSSE 05469 252252Z

FOR LARGER SHARE THAN PREVIOUSLY OF TOTAL TONNAGE (SHARE CURRENTLY

AROUND 13.5 PERCENT). HE NOTED THAT THIS RELATIVE INCREASE DUE PARTIALLY TO DECREASED SHIPMENTS OF OTHER STEEL PRODUCTS, WHICH DUE TO STRONG DEMAND IN EUROPE AND CHANGES IN PRICES BECAUSE OF DOLLAR DEPRECIATION. DURING ROUND OF REPLIES FROM OTHER ESPC GROUP MEMBERS, FRENCH DELEGATE SAID THAT REMOVAL OF WIRE ROD FROM VRA COULD, IF PRICES IN U.S. MARKET WERE ATTRACTIVE AND EUROPEAN SUPPLY SITUATION PERMITTED, RESULT IN 2.5 TO 5 PERCENT ANNUAL INCREASE IN WIRE ROD SHIPMENTS FROM FRANCE IN NEXT FEW YEARS. GERMAN REP, WHILE LESS SPECIFIC, CONCURRED WITH FRENCH VIEW, AS DID VAN DER REST, WITH CAVEAT THAT INCREASES WOULD NOT BE GREAT. OTHER REPS WERE RATHER NONCOMMITTAL. FRENCH, GERMAN AND BELGIAN REPS STATED IN REPLY TO IWD QUESTION THAT THEY WOULD HAVE SHIPPED MORE WIRE ROD TO U.S. IF WIRE ROD HAD NOT BEEN ON VRA LIST PROVIDED ALSO THAT PRICES IN U.S. HAD BEEN HIGHER. GERMAN REP ADDED THAT GERMAN SHIPPERS HAD ROUGHLY MAINTAINED LEVEL OF SHIPMENTS SINCE DOLLAR DEVALUATIONS DESPITE FINANCIAL LOSSES, BUT THAT THIS COULD NOT LONG CONTINUE. VAN DER REST'S EXPECTATION WAS THAT TOTAL WIRE ROD SHIPMENTS IN 1973 WILL BE SLIGHTLY LESS THAN IN 1971 BUT HIGHER THAN IN 1972.

3. CONSENSUS WAS THAT EXISTENCE OF VRA HAD NOT MUCH AFFECTED AMOUNT OF WIRE ROD PRODUCTION CAPACITY IN EUROPE. GERMAN REP EXPECTED, HOWEVER, THAT GERMAN WIRE ROD CAPACITY WILL BE SUBSTANTIALLY INCREASED IN NEXT YEAR OR TWO AND THAT MODERATE SHARE OF THIS INCREASE COULD GO TO U.S. HE NOTED THAT MONETARY PROBLEMS, LAW SUITS, 1971 SURCHARGE, ANTI-DUMPING THREAT AND VRA COMBINE TO MAKE GERMAN PRODUCERS CAUTIOUS ABOUT COUNTING ON U.S. MARKET.

4. IN REPLY TO ESPC QUESTION, IWD GROUP ESTIMATED THAT OF 7 MILLION TON TOTAL CARBON STEEL WIRE ROD ANNUAL CONSUMPTION IN U.S., 3.5 MILLION GOES TO INDEPENDENT WIRE DRAWERS. THESE INDEPENDENTS IMPORT ABOUT HALF OF THEIR WIRE BAR REQUIREMENTS. VERY ROUGH PREDICTION OF GROWTH IN REQUIREMENTS IS 5 PERCENT ANNUALLY.
STRAUSZ-HUPE

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